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The Director of Central Intelligence

Washington, D.C. 20505

All ICS

1 July 1982

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Mr. Leo Cherne
Vice Chairman, President's Foreign
Intelligence Advisory Board
340 Old Executive Office Building
Washington, D.C. 20500

Dear Leo:

I looked over PFIAB's 1976 recommendations to the President on economic intelligence. None of the substantive economic areas which are defined in the economic intelligence recommendations we prepared for the PFIAB in 1976 were significantly touched at all between 1976 and 1980. A substantial effort has been developed and a good number of products have been completed on those subjects during 1981 and 1982. Substantial efforts are under way on the Soviet military-industrial complex, the vulnerabilities of the Soviet economy, and the nature of Soviet society and life covering such matters as dissidents, public attitudes, minorities, religious and ethnic strains, health, alcoholism, etc. We have addressed the leverage which might be developed over Soviet policies through credit and energy policies, technology and trade restriction, etc. A first-time analysis of the dependence of the Soviet military program and Soviet economy on Western trade and technology has been completed. A Technology Transfer Center has been established and been in operation for over a year.

As for continuous feedback and guidance to insure that intelligence meets the needs of policymakers (point A in the 3 December 1976 summary), I believe this has been improved but, for the most part, the method has been informal in nature. There is a daily briefing of each NSC principal on current intelligence reports and analysis, and a daily conference with the DCI to address the nature of their reactions and expressed needs and discuss future intelligence products in economic and other areas. There is an institutional mechanism to more completely insure that the consumer needs are heard and addressed which takes the form of an NSC-sponsored SIG-I committee, and a process designed to get consumer input in developing an official list of key intelligence targets. This provides basic guidelines for the intelligence collection and analysis process. I find this a rather sterile exercise with far less significance and impact than the day-to-day interaction, facilitated by a small intelligence requirements staff, between users, analysts and producers of intelligence.

I don't think that enough has been done to develop an effective US trade policy for trade policy transfers or to police trade which violates that policy. The need has been adequately identified and increased policing efforts are being mounted at Commerce, but a great deal needs to be done. In Legislative, resource and administrative steps will be needed to mount an adequate response to this threat. The NSC-sponsored counterintelligence study now being completed contains specific recommendations on meeting this need.

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An initial effort has been made to develop an annual economic assessment designed to scan the global horizon for future economic vulnerabilities and opportunities. You have seen our global estimate which I view as a basis for substantially improved annual estimates along these lines. The degree to which the Intelligence Community should be engaged in economic modeling or long-term economic projections of the type which Treasury, the Federal Reserve and a number of private organizations do is questionable. The Intelligence Community has neither the resources nor sufficient competitive advantage to engage in this type of economic forecasting as distinguished from intelligence assessments on the technological and other forces that are likely to influence the future. A substantial effort has been mounted to assess these technologies and their impact on relative military and economic strength in the future. As for the factors on page 2 on which economic intelligence is dependent, the major step has been the reorganization of the Intelligence Directorate to achieve greater multidisciplinary focus in the early stages of work on country and regional problems. As indicated earlier, the sharpening of requirements to address policymakers' general needs and improving ability to tap the private sector have largely been attacked on an informal day-by-day basis. Nevertheless, substantial progress has been made and we would welcome suggestions and recommendations to specific analytical techniques and arrangements which might move us further towards these objectives. I view as the most important specific step to restore public trust and respect for intelligence the broader, more meaningful participation we have developed in the formulation of intelligence estimates. This is achieved through the more open procedures and wider search for input instituted throughout the Community under the auspices of the National Foreign Intelligence Board. In this, a great deal has developed out of new procedures and attitudes at the top among the chiefs of the various components of the Intelligence Community. Another way we've sought to restore public trust and respect is to stop asking for it and try to earn it with a lower profile and good performance.

I would suggest you talk to [] and the chiefs of the military intelligence services about the technical and tactical intelligence in support of military commanders and to insure enhanced protection of sea lines of communication.

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Yours,



William J. Casey

DCI/1 Jul 82

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